



"Creating Wealth Through Real Estate"

Another Preferred Investment Opportunity:

Brookside

506-41st Edson, AB



This Is Your Moment To Invest
In A Vibrant Alberta Community.



www.PreferredGroup.ca

Why Edson ?:

THE HEART OF THE YELLOWHEAD

- Brookside apartment is located in the city of Edson, 120 miles West of Edmonton.
- Edson is a vibrant community located midway between Edmonton and Jasper National Park.
- The Industry is based on Oil, Gas, Coal, and Timber.
- Brookside is situated by a ravine setting with walking trails out your back door.
- This is a solid investment opportunity at an incredible price point.

This is your moment to invest in this vibrant Alberta community.



About The Property

Brookside has been upgraded to like new condition with all new (in past year) roofs, exterior siding, landscaping, lighting, telephone integrated security intercom system, front and rear secured entry doors and other fine details that give the buildings fantastic curb appeal.

The common areas of the buildings have been upgraded as well with ceramic tile entryways, new paint and carpeted flooring throughout the hallways, including wood trim and bordering.

You're friends and family will feel welcome.

Brookside units are available in original rental condition. Condition varies by unit, but all have fridge and stove, 4 piece bathroom, and carpet with linoleum flooring. Units on the second and third floors have balconies too, and the West facing units have a view of the ravine.

Brookside has 12 units in total. There are 2-1 bedroom units and 10-2 bedrooms units.

Type	#of units left	Purchase Price	Approx. Sq. Ft
1 Bedrooms	1	\$99,900	517 sq. ft.
2 Bedrooms	3	\$139,000	700 to 732 sq. ft.



About The Property

Photos are from Show-suite at #12, 414-41st in Pinecrest.



All new kitchen, 6 black appliances.



Laminate flooring throughout kitchen.



Show suite living room.



Dining area off kitchen, large window.



Executive Summary

This property scored high marks in all areas of due diligence including positive cash flow, motivated seller, superior-ROI and located in a fundamentally strong market. This is important as we are always looking to invest in a market that has a strong future. We are offering this investment property for a capital investment **\$9,990** with a closing date of 30 days negotiable, and a **\$38,896 return on your money**. The projected return to the investor is 55% per year. As this property is now at "highest and best use", we consider this to be a "buy and hold" investment with a minimum 5-year investment timeline. No renovations are required at this point. The return on investment is projected to come from three sources: cash flow from operations, mortgage pay down, and capital appreciation.

The 5-year R.O.I. projections for the property are as follows:

- | | |
|---|--------------------|
| 1. Cash on cash return (cash flow from operations/capital investment) | 91% |
| 2. Total return before appreciation | 137% |
| 3. Internal rate of return including 6% projected appreciation | 276% |
| 4. Annual R.O.I. for the investor | 55% |
| 5. Total return achieved | \$48,886.00 |

Purchase Details

ACQUISITION & FINANCING DETAILS

Proposed Closing Date	30 Days Negotiable	A
Property Purchase Price	\$99,900.00	B
25% Down Payment	\$24,975.00	C
1st Mortgage Loan Amount (75%)	\$74,925.00	D
2nd Mortgage Loan Amount (15%)	\$14,985.00	E
Cash To Close: (C-E=F) = (10% Down Payment)	\$9,990.00	F
Closing Costs (legal, property tax adjustment, etc.) (\$1,000 legal fees, \$400 inspection, \$800 tax adjustment)	\$2,200.00	G
Improvement Costs (renovations & repairs required)	\$0.00	H
Contingency Budget (3months expenses)	\$1,197.96	I
TOTAL Capital Invested (F+G+H+I=J)	\$13,387.96	J

Investment Overview – 1st Year Projections

Projected Operating Cash Flow Statement

Year 1 projections

INCOME	Monthly	Year 1
Rental Income: Main Floor	\$850.00	\$10,200.00
TOTAL Gross Rental Income	\$850.00	\$10,200.00
EXPENSES		
1st Mortgage Payment (5.5%, 35 yr)	\$399.32	\$4,791.84
Property Taxes	\$40.00	\$480.00
Insurance Premium	\$20.00	\$240.00
Vacancy Allowance (3.0%)	\$25.50	\$306.00
Repairs & Maintenance (4%)	\$34.00	\$408.00
Utilities (tenants pay)	\$0.00	\$0.00
Condo Fees	\$170.00	\$2,040.00
TOTAL Expenses	\$688.82	\$8,265.84
NET CASHFLOW	\$161.18	\$1,934.16

The property is presently occupied and was given a rental increase Jan 1, 2008. We expect to attract high quality middle class or professional tenants due to the quality of the building, location and rent price point.

Investment Overview – 5 Year Projections

Assumptions:

- Rents increase 5% per year. There are no effective rent controls in the City of Edson and rents are set by market forces.
- Mortgage rates remain stable.
- Property taxes and insurance increase 5% per year.
- Vacancy rate is 1.5% (actual current vacancy rate in Edmonton is 0.5%).
- Repairs & maintenance expense is 4% of rents

Annual Change	Year 1	Year 2	Year 3	Year 4	Year 5
INCOME					
Rental Income: Main Floor 5%	\$850.00	\$892.50	\$937.13	\$983.98	\$1,033.18
TOTAL MONTHLY Gross Rental Income	\$850.00	\$892.50	\$937.13	\$983.98	\$1,033.18
TOTAL ANNUAL Gross Rental Income	\$10,200.00	\$10,710.00	\$11,245.50	\$11,807.78	\$12,398.16
EXPENSES					
1st Mortgage Payment (5.5%, 35 yr amt.)	\$399.32	\$399.32	\$399.32	\$399.32	\$399.32
Property Taxes 5%	\$40.00	\$42.00	\$44.10	\$46.31	\$48.62
Insurance Premium 5%	\$20.00	\$21.00	\$22.05	\$23.15	\$24.31
Vacancy Allowance (3%)	\$25.50	\$26.78	\$28.11	\$29.52	\$31.00
Repairs & Maintenance (4%)	\$34.00	\$35.70	\$37.49	\$39.36	\$41.33
Management Expenses (0%)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condo Fees	\$170.00	\$178.50	\$187.43	\$196.80	\$206.64
Bank Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL Expenses	\$688.82	\$703.30	\$718.49	\$734.45	\$751.21
NET MONTHLY CASH FLOW	\$161.18	\$189.21	\$218.63	\$249.53	\$281.97
NET ANNUAL CASH FLOW	\$1,934.16	\$2,270.46	\$2,623.58	\$2,994.35	\$3,383.66
Cash Position	\$1,934.16	\$4,204.62	\$6,828.20	\$9,822.54	\$13,206.20

Investment Overview- 5 Year Total Equity Return

Note: A conservative appreciation rate of 4% per year has been used in these projections. Actual average residential price increases in Edson for the past 10 years have been 6%.

INCOME & GAIN PROJECTIONS	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Projected Annual Cash Flow	\$1,934	\$2,270	\$2,624	\$2,994	\$3,384	\$13,206
Mortgage Pay down (1st mortgage)	\$742	\$780	\$803	\$831	\$890	\$4,046
Capital Appreciation (P) 4%	\$3,996	\$4,156	\$4,322	\$4,495	\$4,675	\$21,644
Estimated Property Value	\$103,896	\$108,052	\$112,374	\$116,869	\$121,544	\$121,544
1st Mortgage balance	\$74,183	\$73,403	\$72,600	\$71,769	\$70,879	\$70,879
2nd Mortgage balance	\$14,985	\$14,985	\$16,485	\$16,485	\$16,845	\$16,845
Interest Payment on Second (10%)	\$0	\$0	\$4,496	\$0	\$2,997	\$7,493
Payout of 2nd Mortgage + interest	\$0	\$0	\$20,981	\$16,485	\$19,842	\$19,842
TOTAL EQUITY	\$29,713	\$34,649	\$18,793	\$28,615	\$30,823	\$30,823
LOAN TO VALUE RATIO	86%	82%	79%	76%	58%	58%

Investment Overview- 5 Year Rate of Return

OVERALL RETURN ON INVESTMENT CALCULATIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total Capital Invested	\$9,990	\$0	\$4,496	\$0	\$19,842	\$34,328
Total Cash Flow Achieved (Cash Flow Only)	\$1,934	\$2,270	\$2,624	\$2,994	\$3,384	\$13,206
Cash On Cash Return (considers cash flow only)	19%	23%	18%	21%	10%	91%
Total Cash flow + Mortgage Pay down Achieved (K + L)	\$2,676	\$3,050	\$3,427	\$3,825	\$4,274	\$17,252
Total Rate of Return - Before Appreciation	27%	31%	24%	26%	30%	137%
Total Return Achieved (Cash flow + Mtg Pay down + Appreciation) (K + L + P)	\$6,672	\$7,206	\$7,749	\$8,320	\$8,948	\$38,896
Internal Rate of Return - Including Projected Appreciation	67%	72%	53%	57%	26%	276%

Financing Options for the Down Payment

There are two suggested methods for financing the down payment:

1. Cash that is currently invested in an under-performing vehicle such as savings account, GICs, bonds, stocks or mutual funds.
2. Equity that is currently locked away in your principal residence and is not working for you. This can be accessed via a home equity line of credit (HELOC) at the prevailing prime interest rate (currently 4.0%).

Example:

Borrow \$9,990 using a HELOC
Monthly interest rate: 4.0%
Monthly payment: \$33.30
Annual interest expense: \$399.60 (**tax deductible**)

The table below shows that the total interest expense over 5 years is \$1998 (assuming stable interest rates) while your share of cash flow from operations (excluding mortgage pay down and appreciation) for the same period is \$1998. **So the cash flow more than covers the interest expense** and this calculation does not include any tax savings.

This means that the interest expense may be fully recovered and at the end of the 5 year period the initial amount borrowed on the HELOC will be returned along with the partner's share of equity gain.

RETURN ON INVESTMENT CALCULATIONS (HELOC)	Year 1	Year 2	Year 3	Year 4	Year 5	Total 5 Years
Total Cash Invested (interest on HELOC)	\$399.60	\$399.60	\$399.60	\$399.60	\$399.60	\$1998

Call Today before it's gone!

780-701-2626